

The complaint

Mr W is unhappy that National Westminster Bank Plc (“NatWest”) approved him for an overdraft facility. Mr W is also unhappy at NatWest’s failure to remove the overdraft facility and the charges that were incurred as a result of this.

What happened

Mr W complained to NatWest about the provision of the overdraft facility and charges incurred as a result. NatWest said on review of his account the overdraft facility and any credit limit increases were applied correctly and that when Mr W completed an application for borrowing it would’ve assessed the affordability.

NatWest says all charges were applied in line with the terms and conditions of the account but as a gesture of goodwill offered Mr W a refund of charges amounting to £315.79 representing the last four months of charges.

Mr W was dis-satisfied and brought his complaint to this service.

An adjudicator looked at this complaint but didn’t think there were any signs of financial difficulty that should’ve prompted NatWest to treat Mr W any differently and didn’t think the overdraft charges were applied unfairly.

Mr W didn’t agree and has asked for an ombudsman decision. I issued my provisional decision on 4 May 2023. In my provisional decision, I explained why I was proposing to uphold Mr W’s complaint.

I invited both parties to let me have any further submissions before I reached a final decision and neither NatWest or Mr W have added any new information.

What I’ve decided – and why

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

In my provisional decision I said that:

“Having carefully considered everything provided, I’m currently intending to find that NatWest acted unfairly when it continued charging overdraft interest and associated fees on Mr W’s overdraft from December 2017. By this point, it ought to have been clear that Mr W was in no position to sustainably repay what he owed within a reasonable period of time.

By this point, Mr W was hardcore borrowing. In other, words he hadn’t seen or maintained a credit balance for an extended period of time – over a year. For the period looked at Mr W started by being overdrawn by £282 in December 2016. This crept up to £2,400 by August 2017 and during this period Mr W didn’t see a credit balance at all. Despite the credits coming in he just went further and further into his overdraft. NatWest’s own literature

suggests that overdrafts are for unforeseen emergency borrowing not prolonged day-to-day expenditure.

I accept that Mr W's overdraft was paid off when a credit of £2,500 came in August 2017. But by the following month he was again overdrawn and continued that way and once again reached his limit by December 2017. And this same pattern continued for years until Mr W raised his complaint with NatWest.

So I think if NatWest had properly reviewed Mr W's overdraft usage it would have realised that Mr W wasn't using his overdraft as intended and shouldn't have continued offering it on the same terms. As NatWest didn't react to Mr W's overdraft usage and instead continuing to allow him to spend and continued charging in the same way, I think it failed to act fairly and reasonably.

Mr W ended up paying additional interest, fees and charges on his overdraft and this ended up exacerbating difficulties he already had in trying to clear it. So I think that NatWest didn't treat Mr W fairly and he lost out because of what NatWest did wrong. And this means that it should put things right."

As neither party has provided any further evidence or arguments for consideration, I see no reason to depart from the conclusions set out in my provisional decision. It follows that I uphold this complaint.

Putting things right

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Mr W's complaint for NatWest to put things right by:

- Reworking Mr W's current overdraft balance so that all interest, fees and charges applied to it from December 2017 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Mr W to arrange a suitable repayment plan, Mr W is encouraged to get in contact with and cooperate with NatWest to reach a suitable agreement. If it considers it appropriate to record negative information on Mr W's credit file, NatWest should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in December 2017. NatWest can also reduce overdraft limit by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave Mr W over their limit.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr W along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then NatWest should remove any adverse information from Mr W's credit file. NatWest can also reduce Mr W's overdraft limit by the amount of refund if it considers it appropriate to do so.

† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mr W a certificate showing how much tax it has taken off if they ask for one.

My final decision

For the reasons I've explained, I uphold Mr W's complaint against National Westminster Bank Plc and direct it pay the fair compensation outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 27 June 2023.

Caroline Davies
Ombudsman